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Tourism and sustainable development

Report of the Secretary-General

Addendum

Tourism and economic development*

Contents

		Paragraphs	Page
	Introduction	1–3	2
I.	Measurement and linkages between tourism and other sectors	4–10	2
II.	Economic policy challenges for the tourism industry	11	4
III.	Economic policy challenges for national Governments	12–23	5
IV.	Economic policy challenges for the international community	24–36	8

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Introduction

1. Tourism emerged as a global phenomenon in the 1960s. In those early years, the potential for tourism to generate economic development was largely accepted as axiomatic. National Governments looked to tourism as a generator of income, as a means of earning foreign exchange, as a source of employment, and as a means of bringing wider economic benefits to regions with otherwise limited economic potential. Consequently, world tourism expanded largely unrestrained during the 1960s and 1970s. National tourism authorities were established to promote tourism and to ensure that the flow of economic benefits from tourism was maximized.

2. As world tourism continued to expand, however, a disturbing array of social and environmental impacts began to present themselves. These impacts included the modification of indigenous cultures, increases in prostitution and crime, the pollution of sensitive natural areas, and the excessive use of energy and water resources. By the early 1990s, national tourism authorities had generally come to realize that the economic benefits of tourism would not be achievable in the long run unless tourism was properly planned and managed to include an explicit concern for the social and environmental assets upon which its future prosperity depended. The established policy objective of tourism — to stimulate economic development — was therefore widened to include the condition that any such development must also be sustainable in social and environmental terms. In other words, tourism's role in economic development is important but it cannot be considered in a vacuum. The social and environmental implications of tourism development must be integrated into development policy.

3. One way of measuring the importance of tourism in economic development is to examine the share of tourism in national income, employment, export earnings and tax revenues. On this basis, few other traded activities could claim to rival the economic significance of world tourism. Tourism currently contributes about 1.5 per cent of world gross national product (GNP), a little over 8 per cent of world merchandise exports by value and almost 35 per cent of the value of world exports of services. Tourism is also a significant employer, the hotel accommodation sector alone employing about 11.3 million people worldwide.[1] Meanwhile the rate of growth in world tourism remains vibrant, with international tourism receipts having increased at a faster pace than world GNP, world merchandise export trade and world trade in services over the period 1985–1995. Forecasts suggest that the growth of world tourism will continue to outpace global economic growth to the year 2020.

I. Measurement and linkages between tourism and other sectors

4. It is important to note that this broad picture disguises considerable variation at the national level, and greater variation still at the regional level. In a number of developing countries, tourism represents a leading economic activity, having already overtaken cash crop agriculture or mineral extraction as their major source of national income, employment and export earnings. For example, tourism in Kenya has now displaced tea, coffee and horticultural produce as the country's leading export earner. At the regional level, meanwhile, the economic significance of tourism is often heightened. Tourism activity in almost all countries is concentrated within certain regions, typically where there are large cities or extensive coastal areas. This pattern can be seen, for example, in Spain, where the southern coastal regions, the island territories and Madrid dominate the regional distribution of tourism activity.

5. Another difficulty with these broad measures of the economic importance of tourism is that they do not, in themselves, provide a particularly good measure of tourism's economic impact. First, they measure the gross impact of tourism, while it is usually the incremental impact of tourism development that is important, that is to say, the capacity for additional tourism activity to generate additional income, employment and other economic benefits in the destination economy. Second, national tourism statistics are subject to a number of measurement defects which can seriously limit their value in making international comparisons of the economic role of tourism. It is usually considered preferable, therefore, to supplement these broad measures of the economic importance of tourism with information on a range of tourism multipliers.

6. The capacity of tourism to generate economic development is best seen by examining the impacts of additional tourist spending in a destination area, which in turn serves to generate incomes, employment and a range of other benefits for the host economy. Tourism multipliers attempt to summarize these incremental impacts in the form of a simple coefficient. The two most common formulations are the tourism income multiplier and the tourism employment multiplier.

7. The conceptual basis of the tourism income multiplier is the assumption that a direct injection of cash into a destination economy, for example, through spending by international tourists, will result in increased incomes for suppliers of tourism services. These incomes are termed "direct incomes". A proportion of these additional incomes will be saved while the remainder will be either spent on replenishing stocks or redistributed to tourism employees in the form of wages. These are known as "indirect incomes". A proportion of these incomes will in turn be saved while the remainder will be respent on consumer goods and services, generating "induced income" in the wider economy. At each stage, a proportion of the expenditure will be spent on imports, resulting in a leakage of expenditure from the local economy.

8. Tourism income multipliers exist in a number of different forms according to how they have been calculated. It is important not to confuse the different types of multiplier. A common formulation is the "Keynesian" multiplier, which measures the ratio of the initial increase in tourism expenditure to its final impact on incomes (comprising all the direct, indirect and induced components). Hence a Keynesian income multiplier value of 1.25 implies that an additional $1 million of tourism expenditure can be expected to generate an additional $1.25 million of final income in the tourism destination. "Ratio" multipliers, on the other hand, calculate the ratio of the direct impact to the final impact. Hence a ratio income multiplier of 1.5 implies that the generation of an additional $1 million of direct income will be associated with the generation of a further $0.50 million of indirect and induced income in the destination economy, leading to an overall $1.50 million increase in income.

9. The tourism employment multiplier operates on a similar basis, summarizing either the direct, indirect and induced employment generated by an additional sum of tourism expenditure in the destination economy, or the ratio of the increase in direct employment to the increase in overall employment. In either case, however, the higher the multiplier coefficient, the greater the amount of additional employment that will be created by a given increase in tourism expenditure.

10. As tables 1 and 2 show, tourism multipliers often display very substantial international variations.[2] The reason is that the multiplier coefficient is determined not only by the structure of the economy in which the tourism activity takes place but also by the spending patterns of the recipients of these expenditures. Countries with fledgling tourism sectors, where few economic linkages exist between tourism and other sectors of the economy,

usually experience lower income and employment multipliers. This is largely because of the tendency for indirect spending to be concentrated in the purchasing of imports from outside the national economy. Such an effect is particularly evident in the case of small island developing States where it is often difficult to meet the demands of a growing tourism sector from local supplies. An example is Tonga, which because of its limited manufacturing and service sectors has to import up to 85 per cent of the goods and services required by some sectors of the tourism industry.

Table 1
Tourism income multipliers[a] for selected countries

Kiribati	0.37	China, Hong Kong SAR[b]	0.87–1.02
Western Samoa	0.39–0.66	Seychelles	0.88–1.03
Tonga	0.42	Bermuda	1.03–1.09
Vanuatu	0.56–0.80	Cyprus	1.14
British Virgin Islands	0.58	Dominican Republic	1.20
Iceland	0.64	Egypt	1.23
Cayman Islands	0.65	Jamaica	1.23–1.27
Fiji	0.69–0.72	Sri Lanka	1.59
Bahamas	0.78–0.79	Ireland	1.72
Philippines	0.82	United Kingdom	1.73
Antigua	0.88	Turkey	1.96
Mauritius	0.96		

Sources: B. Archer, "Tourism and island economies", *Progress in Tourism, Recreation and Hospitality Management*, vol. 1 (1989), pp. 125–134; John E. Fletcher and H. Snee, "Tourism in the South Pacific Islands", *Progress in Tourism, Recreation and Hospitality Management*, vol. 1 (1989), pp. 114–124; and World Tourism Organization, various reports.

[a] "Keynesian" rather than "ratio" multipliers.

[b] Special Administrative Region.

Table 2
Tourism employment multipliers for selected countries

Kiribati	0.70 standardized jobs per 10,000 Australian dollars ($A) of tourist expenditure
Vanuatu	0.89 full-time and 1.03 full-time and part-time jobs per 1 million vatu (VT) of tourist expenditure
Tonga	0.96 standardized jobs per 10,000 pa'anga (T$) of tourist expenditure

Source: World Tourism Organization, various reports.

II. Economic challenges for the tourism industry

11. Private sector tourism companies have a crucial role to play in implementing the sustainable tourism imperative. Tourism businesses can influence the nature of tourism activity directly by modifying the products they offer and the methods they use in producing them. They also have a vested interest in maintaining the environmental and sociocultural

resources of destination areas, which represent their core business assets. The challenge for the private sector is therefore to:

(a) Recognize that sustainability is not an intrinsic attribute of certain niche markets (such as ecotourism) but a challenge to all tourism enterprises, regardless of their size or market orientation;

(b) Integrate environmental management systems and procedures into all aspects of corporate activity, including the use of environmental and social audits, life cycle assessments, and the training of staff in the principles and practices of sustainable management;

(c) Apply appropriate measures at the operational level to minimize all forms of waste, conserve energy and freshwater resources, and control harmful emissions into all environmental media;

(d) Plan and manage their operations so as to minimize potential environmental, social and cultural impacts, using local materials wherever possible and employing technologies appropriate to the local conditions;

(e) Involve all stakeholders in decision-making, including customers, staff, trading partners and the host community;

(f) Develop partnerships with the host community, Governments and their agencies, other private sector companies and international organizations, in order to enhance the prospects for bringing about the sustainable development of tourism.

III. Economic policy challenges for national Governments

12. While private sector tourism companies have a number of good reasons to ensure that their practices are sustainable, including the element of consumer pressure in certain market segments, market forces alone do not guarantee that tourism will be sustainable. National Governments must therefore assume overall responsibility for ensuring that tourism is properly planned and managed in ways that will minimize its adverse impacts on the environmental and social fabric of the destination. This, in turn, will help to enhance the prospects for tourism's bringing economic benefits to the host destination in the future.

13. Sustainable tourism should aim to capture the economic benefits of tourism without damaging or degrading the resources upon which tourism ultimately relies. Yet tourism is often perceived as an add-on to existing economic activities in an area. Consequently, tourism tends either to be overlooked or to lack priority in the planning process. An important challenge, both for national and for regional planning authorities, is therefore to ensure that tourism is given proper attention and priority in their development plans. This will require planning authorities to:

(a) Identify and monitor tourism activities in the destination area, particularly informal tourism which although less visible may represent a significant component of tourism activity in the area;

(b) Measure and evaluate the impact of tourism activity on the infrastructures and resources of the destination area, including the development of suitable indicators for assessing the sustainability of tourism;

(c) Integrate tourism fully into both regional and national development plans, so that tourism develops in harmony with other forms of social and economic development in the destination area;

(d) Consult widely with the host community to ensure that as broad a range of views as possible are incorporated into the development planning process.

14. Government at the national level, meanwhile, has an important role to play in reconciling the objectives of policies for the development of tourism with the objectives of other government policies. Unsustainable practices in related economic sectors will limit the potential for tourism to become more sustainable. Equally, sustainability in tourism must not be achieved at the expense of sustainability in other sectors of the economy. This will require national Governments to:

(a) Ensure that all environmental regulations and environmental policy measures are applied throughout the tourism sector, regardless of the size of the business or the type of tourism activity concerned;

(b) Manage tourism in protected areas, such as national parks, paying due regard to their limited capacity to accommodate tourism without becoming damaged or degraded;

(c) Plan the development of other economic activities (such as agriculture or mineral extraction) to ensure that they do not deplete or degrade resources important to the tourism sector;

(d) Make sure that the development of major infrastructures, such as road networks or water supply systems, caters for the needs not only of the tourism sector, but also of other industries in the area, as well as for the needs of local community as a whole;

(e) Take steps to reduce the seasonal pattern of tourism activity by developing out-of-season employment opportunities in destinations that are heavily dependent on tourism;

(f) Develop a strategy for taxing tourism activity that is efficient, fair and conducive to the sustainable development of tourism;

(g) Ensure that the economic benefits of tourism are distributed widely among the host population, so that local people have a strong incentive to protect tourism's environmental and cultural resource base.

15. Achieving sustainable tourism will require change on the part of all those involved in the tourism sector. The overarching challenge for national Governments must therefore be to develop policy frameworks that will enable and encourage these changes. This will require Governments to:

(a) Ensure that sustainability, rather than be the preserve merely of niche market segments such as ecotourism, is adopted as the primary objective of all sectors of the tourism industry, large and small, private and public;

(b) Encourage responsible practices, through the promotion of voluntary codes of conduct and environmental management schemes;

(c) Apply a range of environmental regulations and management measures appropriate to the context in which particular tourism activities take place, and to monitor those regulations and measures, and ensure that their importance is widely appreciated;

(d) Supplement these regulations and measures with appropriate financial incentive mechanisms such as user fees and tourist taxes: this will help to ensure that tourism operators and their customers are presented with the true costs of their activities;

(e) Apply the polluter pays principle to ensure that the burden of regulation is shared as equitably as possible;

(f) Adopt a precautionary approach to the development of policies aimed at fostering the sustainable development of tourism: this means taking positive action even before conclusive proof of cause and effect has been established.

16. Tourism is fundamentally a "people-centred" activity, involving the provision of a range of services to customers who are travelling away from their usual place of residence. However, as the present report has already noted, employment in the tourism sector tends to be dominated by low-skilled, part-time, casual and seasonal work. The nature of work in the tourism sector may act as an impediment to the pursuit of sustainable tourism because (a) the precariousness of employment in tourism can prevent people from acquiring training and education in the sustainable conduct of tourism; and (b) tourism businesses tend to experience high rates of staff turnover, so that even when employees do receive training and education their acquired skills are quickly lost to the sector.

17. The challenge for national Governments and their agencies is therefore to:

(a) Ensure that sustainability issues are fully integrated into tourism courses offered by schools, colleges of further education and establishments of higher education;

(b) Work with companies to develop training schemes and to establish networks for the exchange of training materials dealing with sustainability issues in the tourism sector;

(c) Coordinate the efforts across the range of government departments and agencies involved in tourism to reduce the precariousness of employment in the tourism sector;

(d) Encourage tourism businesses to employ local people, so that the host community receives more of the economic benefits of tourism; this in turn will help to reinforce the bond between the host community and the cultural and environmental assets used by the tourism sector;

(e) Encourage tourism businesses to train and promote local personnel, so that local perspectives can be better integrated into the management ethos and practices of the company.

18. The developed world dominates the pattern of international tourism flows, with more than 90 per cent of world tourism flows originating in the developed countries. Available data suggest, however, that tourism demand in the developed countries is now reaching a "ceiling" as the available free time and discretionary spending allocated to tourism activities reach maximum levels.[1]

19. If the economic benefits of tourism are to be experienced more widely throughout the world, then it is important to find ways of increasing participation in international travel, especially by those living in developing countries. This might involve seeking to reduce or even remove (a) tariff-like barriers to international travel, such as differential exit taxes on residents and visitors, which serve to discourage foreign travel by residents; and (b) non-tariff barriers to international travel, such as travel allowance restrictions, which not only discourage foreign travel but also limit residents' spending potential while abroad. At the same time, it must be recognized that any further growth in international travel and tourism must take place within sustainability constraints. Otherwise the benefits brought by increased international tourism will prove ephemeral.

20. Coastal tourism destinations need to be singled out for special attention. Such areas have often relied on tourism as a major source of income and employment, yet they now find their established markets in serious decline. Frequently a contributory factor has been the impairment of the attractiveness of the destination by poorly planned and managed tourism development in the past. Coastal tourism is particularly vulnerable in this respect, as it typically involves concentrating large numbers of tourists in some of the world's most

fragile ecological areas. It has been suggested, for example, that more than 50 per cent of the European Union's ecologically richest and most sensitive areas are coastal ones.

21. Even where the tourism sector of a coastal area remains in good economic shape, the pattern of tourism activity is often highly seasonal in character, leading to the underutilization of resources during the low season months and their overutilization during the high season months.

22. The challenge for national Governments is therefore to:

(a) Identify ways in which tourism activity can be spread more evenly throughout the year, thereby reducing the seasonality of tourism in coastal areas;

(b) Encourage the development of economic activities that can complement and help to support tourism in coastal areas, especially those that can be pursued during periods other than the main tourist season;

(c) Assist tourism organizations of all kinds in assessing and responding to the changing nature of the international demand for tourism, for example by developing alternative forms of tourism.

23. As indicated previously, tourism has a crucial but precarious role to play in the economies of most small island developing States. This presents a number of special challenges for their Governments, including:

(a) Identifying ways in which the tourism sector can continue to remain competitive and grow without imposing significant further damage on the environmental and cultural fabric of destination areas;

(b) Balancing the heightened demands placed on local resources by tourism in island locations with the demands put upon them by other economic activities and by host communities;

(c) Plugging expenditure leakage, including the fostering of backward linkages from tourism into the rest of the destination economy and the development of forms of tourism that enable local communities to receive a greater share of the benefits;

(d) Managing carefully the extent of foreign involvement in the tourism sector, including not only the involvement of transnational corporations in tourism but also the employment by the tourism economy of expatriate labour;

(e) Diversifying the national economy in order to reduce dependency on tourism as a source of income, employment and foreign exchange earnings.

IV. Economic policy challenges for the international community

24. The international community has an important role to play in widening the sustainability agenda, providing the necessary funding for the development of sustainable tourism infrastructure projects, informing national tourism policies and encouraging good practices in the sustainable planning and management of tourism.

25. Some of the reasons why the sustainable tourism debate has tended to focus on developing countries are the following. First, the natural and sociocultural environments in these countries are usually less damaged and in a more pristine state than those in industrialized societies and thus constitute a major resource for tourism development. The likelihood of achieving a more sustainable form of tourism development is therefore much

higher in such developing countries than in countries where there is a heavily developed tourism industry.

26. Second, developing countries have generally found it very hard to compete with developed country tourism destinations in world markets. Where developing countries have attempted to develop markets in mass tourism, they have found that in order to compete effectively they must invest heavily in their basic infrastructures. Often this has involved the construction of Western-style tourism facilities. What is becoming increasingly clear, however, is that the rapid development of mass tourism in developing countries has imposed serious environmental and social costs on host destinations.

27. Some developing countries have attempted to exploit hastily their comparative advantage by investing in niche forms of tourism, such as ecotourism and cultural tourism, aiming at very quick economic returns; in these cases, however, disturbingly similar impacts have resulted. The experience is that these "soft" forms of tourism can be just as destructive as mass tourism, if they are not planned, developed and managed in a sustainable manner, so as to ensure that there are no adverse effects on the natural environment or the local sociocultural fabric, and that the local community is involved in all development and management phases.

28. The challenge for the international community must therefore be to assist national Governments, especially those of developing countries, in finding ways to enable their tourism industries to become more competitive in world markets without damaging their environmental and cultural asset base. This will involve:

(a) Helping to develop workable techniques and frameworks for assessing the environmental and social impacts of tourism at the national, regional and local levels;

(b) Providing practical advice to the tourism industry on how to implement sustainable tourism through the use of integrated environmental management and social responsibility programmes;

(c) Working with Governments at all levels to develop a range of meaningful and effective planning guidelines, codes of good practice, regulatory frameworks and policy provisions aimed at achieving sustainable tourism;

(d) Promoting internationally recognized quality assurance schemes for tourism and helping to adapt existing schemes, through modification, to the tourism management context;

(e) Facilitating the international exchange of information, experiences and technical skills, especially between the developed and the developing countries;

(f) Establishing networks that raise awareness of the need for sustainability in all aspects of tourism and provide training on sustainability issues for those working in the tourism industry, especially in the developing country context;

(g) Encouraging wider community participation in the planning, operation and consumption of tourism.

29. The World Tourism Organization has been instrumental in providing this type of technical assistance to Governments over its 20 years of cooperation with the United Nations Development Programme (UNDP) as its executing agency in the field of tourism. Assistance has been provided in the form of specific country or subregional projects, technical seminars, workshops, conferences, training courses for government officials and local authorities, and numerous publications and manuals.

30. Yet, much more needs to be done to assist developing countries in facing the challenge of sustainability in tourism, and the World Tourism Organization is in a position to multiply its technical support activities in cooperation with other agencies and donors.

31. The international community already plays an important role in tourism development by providing funding for tourism-related infrastructure projects. Major funders include various World Bank affiliates, a number of United Nations organizations (such as UNDP), the jointly administered Global Environment Facility (GEF), the development assistance departments of many countries, and a range of other international financial organizations. Other international organizations, such as the World Tourism Organization, are often involved as executing agencies for the provision of technical assistance.

32. The challenge for all such institutions must be to ensure that the projects they fund actually contribute to the sustainable development of tourism and are in line with the general and specific recommendations of the World Tourism Organization in this field, or with the tourism development master plans that have been established for many countries, often with World Tourism Organization support. This includes:

(a) Making use of environmental and social impact assessment methods when appraising funding proposals for investment in tourism-related infrastructures;

(b) Adopting social cost-benefit analysis and non-market environmental valuation techniques in appraising tourism infrastructure projects;

(c) Encouraging a wider use of environmental and social impact techniques, social cost-benefit analysis and non-market environmental valuation techniques by national Governments and local planning authorities;

(d) Developing integrated infrastructure development plans that take account not only of the needs of the tourism sector but also of those of other economic activities and of the local community as a whole;

(e) Ensuring that funding, rather than concentrate solely on the development of new, alternative forms of tourism, is available to assist in making mass tourism more sustainable.

33. The presence of a number of very large and powerful transnational corporations in world tourism has led to concerns that the regulatory competence of the nation State is now being superseded by the power of big business. Yet it is widely recognized that the market alone cannot be relied upon to deliver sustainable development. The international community can help national Governments to redress the growing imbalance by:

(a) Working with national Governments to determine the best combination of regulations, incentives-based measures and voluntary compliance schemes for ensuring that the investment practices of transnational corporations are fully compliant with the principles of sustainable tourism;

(b) Encouraging environmental and social assessment of the impacts of foreign direct investment, advising on good practice and exposing poor practice;

(c) Insisting that transnational corporations transfer appropriate technologies, technical skills, training and environmental education to their host countries;

(d) Encouraging transnational corporations to employ local staff, particularly at management levels, and to develop effective mechanisms for the participation of both the workforce and the wider host community in corporate decision-making.

34. It has already been emphasized that there is need for a greater participation of all of the world's population in foreign travel, especially those located in developing countries,

in order that the benefits of tourism may be experienced more widely. The role of the international community will therefore be to:

(a) Work to remove artificial barriers to tourism trade, under the provisions of the General Agreement on Trade in Services;[3]

(b) Facilitate further multilateral tourism trade liberalization on the basis of the General Agreement on Trade in Services;

(c) Support and encourage the development of domestic and interregional tourism, which can have a relatively greater economic impact on the host destination because of the lower expenditure leakage rates associated with such activities.

35. Further growth in world travel and tourism must take place, however, only on a sustainable basis. There is no logic in facilitating travel if the activities it comprises are unsustainable. This would only be counter-productive with respect to the long-term interests both of the tourism industry and of society as a whole.

36. Achieving sustainable tourism will require change on the part of all those involved in the tourism industry. The role of the international community must be to encourage and support imaginative responses to the challenge of sustainable tourism. This encompasses, *inter alia*,:

(a) Promoting the wider use of debt-for-nature swaps, which involve non-governmental organizations' buying developing country debt at a discount from creditor banks in return for the debtor country's agreeing to invest a similar sum of local currency in environmental protection projects;

(b) Including environmental and social accounts in the development of "tourism satellite accounts", which cover only the economic costs and benefits of tourism.

Notes

1 World Tourism Organization, *Tourism 2020 Vision* (Madrid, 1998).

2 Note that the multipliers are "Keynesian" rather than "ratio" multipliers.

3 See *Legal Instruments Embodying the Results of the Uruguay Round of Multilateral Trade Negotiations, done at Marrakesh on 15 April 1994* (GATT secretariat publication, Sales No. GATT/1994–7).